Bill 7, CD1 Early Testimony



Marshall W. Hung - Former Developer 215 N. King Street, Suite 1000, Honolulu, HI 96817 W: 808.526.2027 ext. 6 F: 808.526-2066

April 12, 2019

To: Ann Kobayashi, Chair Honolulu City Council

Re: April 17, 2019 Public Hearing,
Bill 7 CD1 and the M&M Amendments sent from the Planning Commission

Dear Councilmember Kobayashi,

It is important to connect the dots and understand the "Big Picture", so I submit my prior testimony (Attachment A) provided for the March 28 Zoning and Housing Committee to you and the three council members not on the zoning committee. The rental housing shortage and lack of new development for 50% of Honolulu's workforce since the 1980's is at the core of its social and employee quality/quantity worries. The M&M version asks that City Council require the City's Regulators to adopt new thinking and sensible reasoning for this basic apartment building housing. To be creative and not locked into only "one" way.

It is easy to say that two exit stairs is better than one. It takes a comprehensive understuding to know that for a 5,000 sq. ft. land parcel, the second stair cost and loss of rental area is critical to rental rates. So with a sprinkler system in a newly constructed building of 35 units or less, serious consideration should be given as to whether a single 48 inch wide stair with an exit to the roof (60 feet height maximum) is not safe for normal, accidental fires. Maybe the ladder training of old can be brought back for buildings under 75 feet to make use of roof exits. Are we forgetting to ask, what is the probability of fire damage when a building is sprinklered versus the 75% of Honolulu's residential housing that is not sprinklered. Probability is important, especially when there is a rental housing crisis.

The focus of Bill 7 must be to make it feasible for small landowners to build on their small land parcels at a construction target of \$225 per sq. ft. These small land developments can only attract the low wage earner, because it cannot offer the building amenities that large

developments can. In general, middle income and above earners require higher standard housing. To assure low wage earner occupancy, Bill 7 has a 100% median income renter requirement.

Be it understood that for the last 40 years, the government rules have produced the "\$300 per sf multi-family" housing buildings. These include low rise to high rise buildings, with costly building code changes to accommodate the "handicap".......when most such disabled persons choose living in horizontal housing unless such vertical buildings are of retirement home status. So the reality conclusion is that there is no shortage for the "\$2,000 Plus" monthly payments in 2019.

The rental housing crisis is for the "\$2,000 Less" monthly payments. Bill 7 is not about Tax Dollar, Government housing, where the rules emphasize higher standard housing than what lower income households could normally afford. It is not about tax dollar projects to subsidize senior only housing projects. It is not about inclusionary housing within luxury projects, and extracting 20% low income housing from Developers wanting to make profits for their development risks. It is about private financing and small landowner development for low wage earner household occupants, because this being the housing ladder development reality. It is about lowering the building standards for a \$225 sq. ft. cost, so small landowner rules can change from the decay status and be part of the rental housing supply solution. Shaine on any special interest representative that says their group would stand in the way of this low wage housing solution, when the cost of living increases over the years have swelled the quantity of low wage households to 50%.

In our personal conversation, it was expressed how being a successful elected official requires knowing what experts have the depth of knowledge and experience. I hope that Mel, Newton and myself meet your trust standard.

Sincerely yours,

Marshall Hung, former real estate developer

Cc: Mel Kaneshige and Newton Chung

[ATTACHMENT A]



Marshall W. Hung - Former Developer 215 N. King Street, Suite 1000, Honolulu, HI 96817 W: 808.526.2027 ext. 6 F: 808.526-2066

March 25, 2019

To: Kymberly Pine - Chairperson

Zoning and Housing Committee, City Council of Honolulu

Re: Bill 7 as Amended by The M & M Version Transmitted from the Planning Commission on March 28, 2019

HUD reported that Honolulu had approximately 341,239 residential homes in 2015. These 341,239 homes were made up of 198,306 owner-occupant homes (58%) and 142,933 rental homes (42%).

Here is a Summary of Honolulu's Rental Supply,

SUMMARY OF HONOLULU'S RENTAL SUPPLY

Rental Types	Minimum Building Cost (est.)	Monthly Rental Rates	Quantity by Rental
Government Subsidized	N/A	\$200 to \$1,000	Type (est.)
Single Family Accessory Units	\$175/SF	\$1,000 to \$1,600	12%
Old Apartment Buildings	N/A	\$1,000 to \$1,500	22%
Single Family (2 Stories)	\$200/SF Plus	\$3,000 Plus	21%
New Apartment Building (Under 60')	\$225/SF	\$1,000 to \$2,000	<u>5%</u> 0%
Old Conda Building	N/A	\$1,500 to \$2,500	
Workforce Condos/Framed	\$275/SF	\$1,800 to \$3,000	27%
Workforce Condos	\$300/SF	\$1,800 to \$3,000	<u>8%</u> 3%
Luxury Condos	\$350/SF Plus	\$3,000 Plus	2%
Total Rental (2015 HUD)		70,000.105	50.5
Total Housing Supply (2015 HUD)			<u>142,933</u> 341.239

Notes:

- 1. Location, age, and size of unit are the primary forces for the market.
- 2. Accessory Units include attached and detached units of single-family structures.
- 3. 23% of single-family structures are rental according to HUD

In addition, it is estimated that Honoiulu has approximately 10,000 vacation rental units which are spread across all unit types. These vacation rentals must be subtracted from the housing stock to give a true count of the available housing stock on Oahu. The Hawaii Tourism Authority is now doing a study to determine where these vacation rentals are located and what kind of housing they consist of.

From the chart above, it can be concluded that the first six types of housing products are providing the affordable rentals for Honolulu's low wage earner population. Within these rental categories are the doubling up of households into one housing unit.

Government researchers have determined a need for 22,500 affordable rental units for Honolulu's residents by 2025, probably because the population increase will mostly be with the low wage earners.

Building for \$1,000 to \$2,000 per Month Rentals

The fifth category of the rental supply summary is labeled "New Apartment Building (Under 60')". This is the type of development that is needed for the low wage earners of Honolulu - the population that represents 50% of Honolulu's workforce. These households can only afford to pay \$1,000 to \$2,000 per month in rents because of the high cost of living and low wages from an economy centered around tourism and the military. The key to being able to achieve these landowner developments is achieving a construction cost of \$225 per square foot.

Since the private sector stopped building rental apartments from the 1980s because of the feasibility gap between costs and rental income, it has primarily been government financing that has subsidized the lower rents for the low wage earners. Unfortunately, government housing has turned into an industry with all the bureaucratic inefficiencies and lacks the discipline to control costs. See the attached Exhibit "A" for a cost comparison with a recent government 111unit rental at a cost of \$1590 per square foot built on a 10,000 sf land parcel. During the last 40 years, Honolulu's construction industry has been able to keep its wages at middle income levels, even though the low wage earner population grew from 30% to 50% of the population for working households. This documented change from the middle-class society has occurred for most of America and has been very apparent in Hawaii.

With further in-depth research, it has been found that as this wealth divide has occurred around the nation, many cities in the U.S. have been making adjustments by getting the private sector to produce smaller buildings at lower construction costs with new codes and rules. See the attached Exhibit "B" from Bloomberg.

Land Availability

Attached as Exhibit "C" is DPP's chart counting 6,175 apartment-zoned parcels of 20,000 sf and less on Oahu. According to DPP's analysis, half of these parcels are ready for redevelopment because of the age and declining value of their improvements. Business and Business mixed use zoned parcels are not included and need to be added because of the retail ground floor/apartment upper floor product bringing mixed use and closer proximity via neighborhood walking. This represents the natural evolution of a city moving towards 21st century living and contrasts with the urban planning of the past based upon the proliferation of automobiles.

DPP estimates there is a potential for an additional 14,000 to 21,000 apartment units to be built on these apartment zoned lands alone (not including the apartment mixed-use, business, business mixed use and school zoned lands).

This equates to 500 to 700 land owners developing their small lots spread out within existing neighborhoods which results in the dispersal of the affordable rectal housing that is built and their low wage earners. This natural market dispersal provides neighborhood choices for renters while avoiding the big project "ghetto" scenario. Transportation alternatives and infrastructure support for these land parcels within existing neighborhoods should also provide optimal starts for development. Landowners can customize their buildings for the wide variety of household types.

Building Standards

With fire rated walls, new electrical systems, new plumbing systems and fire sprinklers, these buildings will have a higher standard of safety than 75% of Honolulu's existing housing inventory. Part of the reason for this is that the national fire code requires sprinklers for single family structures, but the State of Hawaii has exempted single family homes from this requirement. As fire and hurricane statistics reflect, it is the older structures that are the least safe, primarily because of the aging of the buildings' materials and infrastructure systems. With the existing code standards, the new high-rise buildings in the urban area and new horizontals in West Oahu represent part of the 25% safest residential buildings. However, Honolulu needs to change its standards from one size fits all building sizes. For new building permits, the standards need to consider feasibility of small, medium, and large buildings. It has been a mistake to impose the same standards for small and medium size buildings as it does for large high-rise buildings. This "one size fits all" approach has stifled the development of the small and medium size buildings and helped to fuel our housing shortage.

Feasibility for 10 to 15 Landowners Taking the Opportunity

As stated at the February 20, 2019 Planning Commission meeting when asked, the DPP February version at best will produce 100 units per year, while the earlier M/M (Marshall Hung/Mel Kaneshige) version will have the probability of 500 units or more per year. Advertising of this 5-year opportunity to the landowners by City Government will be very important. The sooner this type of rental housing is provided, the sooner we solve our employee shortage and quality issues and the sooner our Hawaii economy can meet the sustainability question for its residents.

It has been two years researching and from May to September 2018 working with the Executive Branch of the city government to "discover" this "Einstein solution". We hope City Council has the political will to endorse the M/M bill.

Sincerely Yours,

Marshall Hung - Former Developer

<u>Development Cost Comparison</u> (See the Following Honolulu Star Advertiser Article)

HCDA/ Kakaako 630 Cooke St		Affordable Rental / City Small Building Code	
Land	10,000/SF	10,000/SF	20, 0 00/SF
Land Cost	-0-	\$ 200/SF	\$ 200/SF
Land/Ownership	Government	Private	Private
Project Cost	\$ 53 Million	\$ 11.2 Million	\$ 22.5 Million
Apartments	111	50	90
Size of Units (Avg)	300/SF	543/SF	602/SF
Cost Per Unit	\$ 477,000	\$ 224,000	\$ 250,000
Cost Per SF	\$ 1,590/SF	\$ 412/SF	\$ 415/SF
Financing	Government	Private	Private

Note: Government financed projects have expensive level finishes and amenities. The private financed projects will generally have basic level finishes, unless a landowner chooses to upgrade. Each property and its location have their unique advantages.

Honlulu Star Advertiser - August 3, 2018

Blessing held for 'micro-housing' tower in Kakaako

A New York development firm and a nonprofit partner held a unique ground blessing Thursday for a unique affordable-housing project in Kakaako.

The project, Nohona Hale, is unique because it's the first tower of purely "micro-unit" rental apartments to be built in Hawaii.

And the blessing was unique because the site for 111 homes in a 16-story tower was too crowded to fit a tent for all the participants celebrating the recent start of the \$53 million project. So the bulk of the ceremony was held about a block away at Mother Waldron Park.

"This is not your typical ground blessing," said Kevin Carney, vice president of EAH Housing, the nonprofit partner helping New York-based Bronx Pro Group LLC develop Nohona Hale.

The project site at 630 Cooke St., near the corner of Queen Street, is roughly 10,000 square feet, which is a typical lot size for one single-family house.

A state agency that regulates development in Kakaako, the Hawaii Community Development Authority, owns the lot and in 2014 solicited proposals from private developers to produce affordable homes there. HCDA selected Bronx Pro and EAH in June 2015 over six competitors.

Samantha Magistro, a Bronx Pro principal, thanked state leaders for having faith in a project where apartments will all be studios with 300 square feet of living space reserved for residents with low incomes.

"I commend you for taking a chance on micro-units," she said. "You are a trailblazer among cities in this country with this important housing tool."

Gov. David Ige said HCDA took a remnant parcel — a site that was once home to a Seafarers International Union hiring hall — and turned it into a "gold mine" for affordable housing.

"Congratulations to all involved," he said.

John Whalen, HCDA board chairman, said Nohona Hale is a good example of how affordable rental housing can be built in a state where developers say it is incredibly hard to do because of high land and construction costs.

"The work is not done, but this is a good step forward to seeing more rental housing here," he said.

While 300 square feet might not seem like much to live in, Whalen has seen Bronx Promicro-housing in Seattle that is similar to the Kakaako project and said the way studios

[Exhibit "A" - Three Pages]

are designed give them a sense of openness. Each unit in Kakaako will feature floor-to-ceiling windows and a 70-square-foot lanal.

Originally, Nohona Hale was going to be a 14-story building with 107 studios with 300 square feet of living space plus 40-square-foot lanai. But Magistro said two more floors were added and allowed four more units and bigger lanai.

Construction site work began in June, and the tower is slated to be finished in August 2019.

Bronx Pro initially projected that construction could start in 2016 and be finished in 2017. But it took longer than anticipated to arrange a development agreement with HCDA, which is leasing the land to the developer for \$1 a year for 65 years, and to obtain financing.

Hawaii Housing Finance and Development Corp., a state agency that helps finance affordable housing, is providing Nohona Hale with \$27 million in Hula Mae bonds, \$22 million from a state rental housing fund, \$1.8 million in state tax credits over five years and \$1.8 million in federal tax credits over 10 years.

Rents must remain affordable for 65 years and are governed by IIHFDC rules. Maximum monthly rent for 99 of the units is \$1,225 for households earning no more than 60 percent of Honolulu's annual median income. Another 11 units have a maximum monthly rent of \$612 reserved for tenants earning no more than 30 percent of the median income. One unit would be for a manager.

Income limits equate to \$49,020 for a single person or \$55,980 for a couple at the 60 percent income level, and half that at the 30 percent level.

EAH Housing, which will manage Nohona Hale, won't begin to solicit applications until about six months before the project is ready to open. However, prospective tenants can get on an interest list by calling 439-6286 or emailing nh-management@eahhousing.org. A lottery will be held to pick qualified tenants.

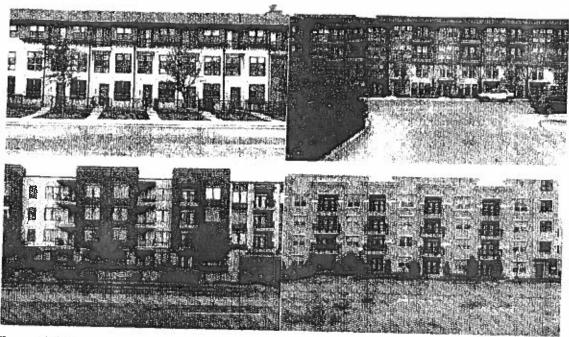
[Bloomberg Feb 13,2019] Why America's New Apartment Buildings All Look the Same

Cheap stick framing has led to a proliferation of blocky, forgettable mid-rises—and more than a few construction fires.

These buildings are in almost every U.S. city. They range from three to seven stories tall and can stretch for blocks. They're usually full of rental apartments, but they can also house college dorms, condominiums, hotels, or assisted-living facilities. Close to city centers, they tend toward a blocky, often colorful modernism; out in the suburbs, their architecture is more likely to feature peaked roofs and historical motifs. Their outer walls are covered with fiber cement, metal, stucco, or bricks.

They really are everywhere, I discovered on a cross-country drive last fall, and they're going up fast. In 2017, 187,000 new housing units were completed in buildings of 50 units or more in the U.S., the most since the Census Bureau started keeping track in 1972. By my informal massaging of the data, well over half of those were in blocky mid-rises.

These structures' proliferation is one of the most dramatic changes to the country's built environment in decades. Yet when I started asking around about them, they didn't seem to have a name. I encountered someone calling them "stumples" in a website comment, but that sadly hasn't caught on. It was only after a developer described the style to me as five-over-one—five stories of apartments over a ground-floor "podium" of parking and/or retail—that I was able to find some online discussion of the phenomenon.



Texas mid-rises.

PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

The number of floors and the presence of a podium varies; the key unifying element, it turns out, is under the skin. They're almost always made of softwood two-by-fours, or "stick," in construction parlance, that have been nailed together in frames like those in suburban tract houses.

The method traces to 1830s Chicago, a boomtown with vast forests nearby. Nailing together thin, precut wooden boards into a "balloon frame" allowed for the rapid construction of "a simple cage which the builder can surface within and without with any desired material," the architect Walker Fieldwrote in 1943. "It exemplifies those twin conditions that underlie all that is American in our building arts: the chronic shortage of skilled labor, and the almost universal use of wood." The balloon frame and its variants still dominate single-family homebuilding in the U.S. and Canada. It's also standard in Australia and New Zealand, and pretty big in Japan, but not in the rest of the world.

In the U.S., stick framing appears to have become the default construction method for apartment complexes as well. The big reason is that it costs much less—I heard

estimates from 20 percent to 40 percent less—than building with concrete, steel, or masonry. Those industries have sponsored several studies disputing the gap, but most builders clearly think it exists.

They're also comfortable with wood. "You can make mistakes and you can cut another piece," says Michael Feigin, chief construction officer at AvalonBay Communities Inc., the country's fourth-biggest apartment owner. "With concrete and steel, it's just a lot more work to fix problems." If supplies run out, adds Kenneth Bland, a vice president at the trade group American Wood Council, builders "know they can run to the nearest big box and get what they need."

They can also run to the nearest big-box store to find workers. Stick construction allows builders to use cheaper casual labor rather than often-unionized skilled tradespeople. And it makes life easier for electricians, plumbers, and the like because it leaves open spaces through which wires, pipes, and ducts can run. Still, there's a reason why stick wasn't the default for big apartment buildings until recently, and why these buildings are limited in height: Sticks burn.

It was the <u>Great Chicago Fire of 1871</u>, which destroyed thousands of balloon-frame buildings, that brought this lesson home. Before long, the city instituted a ban on wood construction that's still partly in place today. New York City had declared its downtown off-limits to wood construction in the early 1800s, eventually extending the proscription to all of Manhattan, plus the Bronx, Brocklyn, and parts of Queens and Staten Island. By 1930, a list of <u>fire-resistance best practices</u> compiled by the U.S. Department of Commerce was recommending stick-frame bans in dense urban neighborhoods and a two-story limit for everywhere else. Stick construction had effectively been banished to the suburbs.

By the second half of the 20th century, the suburbs were where America was moving, and as they evolved from bedroom communities into a new kind of city, the stick building evolved with them—into forms such as the "dingbats" of Los Angeles (one or two stories atop a carport) and the parking-rich garden-apartment complexes outside Atlanta, Dallas, and other metropolises. Building codes evolved, too, as insurers and fire-safety-equipment manufacturers pushed for scientific, "performance-based" codes that emphasized lab-determined fire-resistance ratings over specific materials and incorporated new technologies such as the automated fire sprinkler.

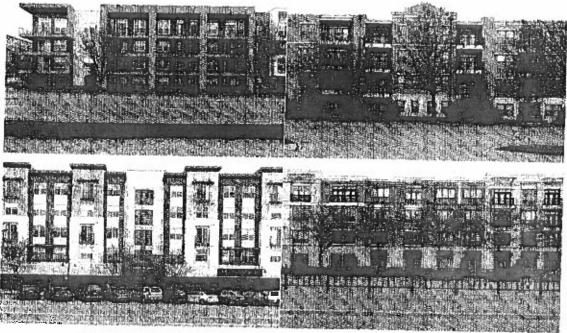
This gospel spread fitfully in a country where codes were a municipal affair, but it did spread, abetted by three regional organizations that produced model codes for cities to adopt or adapt to their own purposes. The most successful body was the aspirationally named International Conference of Building Officials, based in Southern California, whose Uniform Building Code was by 1970 at least partly followed by 9 in 10 Western cities. The UBC, updated triennially, ushered in the age of the mid-rise wood-frame apartment building.

Some of the details are lost in the mists of time, or at least in dusty archives, but the tale seems to have gone like this: The first UBC, issued in 1927, allowed for wood-frame apartment buildings three stories high. The risk of earthquakes inclined officials to be tolerant of such frames, which handle shaking better than brick walls do; the presence of a large timber industry in the Northwest was also a factor. In the 1950s the story limit increased to four if an automatic sprinkler system was installed. Square-footage restrictions were eased if building segments were separated by firewalls—initially masonry, then simpler-to-install gypsum board. By the 1970s it was possible to build four wood-framed stories atop a concrete podium. Then, in the early 1990s, came a breakthrough.

Los Angeles architect Tim Smith was sitting on a Hawaiian beach, reading through the latest building code, as one does, when he noticed that it classified wood treated with fire retardant as noncombustible. That made wood eligible, he realized, for a building category—originally known as "ordinary masonry construction" but long since amended to require only that outer walls be made entirely of noncombustible material—that allowed for five stories with sprinklers.

Ilis company, Togawa Smith Martin Inc., was working at the time with the City of Los Angeles on a 100-unit affordable-housing high-rise in Little Tokyo that they "could never get to pencil out." By putting five wood stories over a one-story concrete podium and covering more of the one-acre lot than a high-rise could fill, Smith figured out how to get the 100 apartments at 60 percent to 70 percent of the cost. The building, Casa Heiwa, opened its doors in 1996, and the five-over-one had been invented. ("Let's put it this way," Smith says. "No one has challenged me to say that they did it first.") The public didn't take note, but West Coast architects and developers did. They could now get near-high-rise densities at a wood-frame price. Soon, the rest of America could, too.

Despite the regional groups' efforts, many architects, developers, economists, and federal housing officials still found local codes parochial and backward-looking, charging that they thwarted innovation and inflated costs. One response came from legislatures, which began increasing state authority over codes. Another came from the regional groups, which in 1994 started work on a single national code. Faced with a major challenge resolving differences over building heights and areas, the responsible committee settled on a somewhat radical precept: If a building could be built under any of the three old codes, it could be built under the new one. Under the 2000 International Building Code (IBC), the stick-built mid-rise podium apartment building was free to migrate eastward.



More Texas mid-rises.

PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

These buildings wouldn't be going up if no one wanted to move in, of course. Growing demand, brought on by demographic shifts, job-growth patterns, and a renewed taste among affluent Americans for city (or citylike) living, has shaped the mid-rise boom. So have the whims of capital. Most multifamily developers build to sell—to a real estate investment trust, an insurance company, a pension fund, or some other institutional

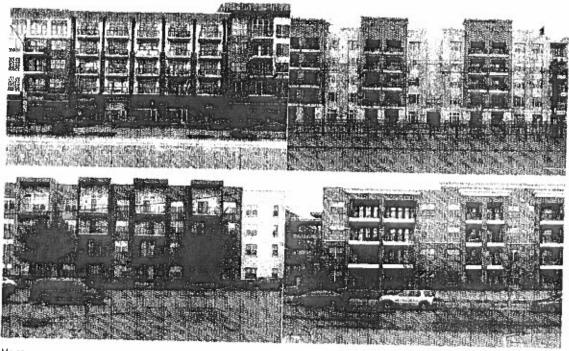
[Exhibit "B" - Nine Pages]

investor. These owners aren't interested in small projects, and their bottom-line focus determines not only materials but also appearance and layout.

The need for scale dictates hulking "superblocks," and the desire to break up these blocks a little explains the colorful panels and other exterior choices. Efficiency dictates the buildings be wide enough for "double-loaded" corridors, with apartments on both sides, but not so wide that the apartments are narrow and dark. This in turn favors a structure shaped like a right-angled U, C, E, or S. Two- or three-bedroom apartments work best at the corners, so one-bedrooms and studios predominate.

The boom has also been shaped by zoning that sometimes leaves downtowns and suburban commercial districts as the only practical spots for new housing. Ordinances requiring a minimum number of parking spaces per apartment unit factor in, too: Where minimums are relatively high, as in Texas, the best solution can be wrapping the building around a parking deck, a style known as the Texas doughnut. Where they're lower, the ground-floor podium will do. City planners also often require developers to devote street-front podium space to shops and restaurants.

Yes, the result can be a little repetitive, but repetition has been characteristic of every big new urban or suburban housing trend in the U.S. over the past century or two. There's lots to like about stumpy buildings that provide new housing in places where it's sorely needed and enliven neighborhoods in the process. A four-story Texas doughnut can get 50 or 60 apartments onto an acre of land, while the most aggressively engineered West Coast stick-and-concrete hybrid (two-story podiums are allowed now, along with other variations) can get almost 200. That's not far from the range that the renowned urbanist Jane Jacobs deemed optimal for vital street life.



More.
PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

There's also lots to like about building with wood, which, as long as the trees are replanted and allowed to grow to maturity, is now generally accounted to be a net consumer of carbon dioxide. Wood's green credentials have helped spur a recent worldwide push for more construction with "mass timber"—softwood lumber glued together and compressed into thick beams, columns, and panels. The tallest such structure completed so far is an 18-story dormitory at the University of British Columbia, in Vancouver. Oregon has already changed its code to allow mass timber buildings of that scale, and the 2021 IBC is set to do the same.

The advance of the mid-rise stick building has come with less fanfare, and left local officials and even some in the building industry surprised and unsettled. "It's a plague, and it happened when no one was watching," says Steven Zirinsky, building code committee co-chairman for the New York City chapter of the American Institute of Architects. What caught his attention was a <u>blaze that broke out</u> in January 2015 at the Avalon apartments in Edgewater, N.J., across the Hudson River from his home. "When I could read a book in my apartment by the flame of that fire," he says, "I knew there was

a problem." Ignited by a maintenance worker's torch, the fire spread through concealed spaces in the floors and attic of the four-story complex, abetted by a partial sprinkler system that didn't cover those areas. No one died, but the building was destroyed.

There haven't been many such fires in completed stick mid-rises, but the huildings have proved highly flammable before the sprinklers and walls go in. Dozens of major fires have broken out at mid-rise construction sites over the past five years. Of the 13 U.S. blazes that resulted in damages of \$20 million or more in 2017, according to the National Fire Protection Association, six were at wood-frame apartment buildings under construction.

These fires often bring a local outcry to restrict stick apartments. The Atlanta suburbs of Sandy Springs and Dunwoody enacted bans on wood-frame buildings above three stories, but they were later overturned by the Georgia legislature. There's also talk of new regulations in Los Angeles, Philadelphia, Massachusetts, and Maryland. But the place where legislative action seems most likely is New Jersey.

Building permits have been issued for 105,000 new apartments in the state since 2012, and it sure looks like most are in wood-frame mid-rises. Glenn Corbett, a former firefighter who teaches fire science at John Jay College of Criminal Justice in New York, took me on a tour of some of New Jersey's "toothpick towers," as he calls them, pointing out places that fire engines can't reach and things that could go wrong as the buildings age. "You're reintroducing these conflagration hazards to urban environments," he says. "We're intentionally putting problems in every community in the country, problems that generations of firefighters that haven't even been born yet are going to have to deal with."

The toughest of the bills before New Jersey's legislature would restrict urban stick buildings to three stories and 7,000 square feet per floor. Proposals with a better chance of passing call for, among other things, masonry firewalls between building segments and full sprinkler systems for apartment buildings three stories and higher. The Avalon at Edgewater has been rebuilt with these measures; Feigin, construction chief for AvalonBay, the building's owner, says they're now standard for all the company's new mid-rise developments. The <u>2018 IBC</u> adds provisions aimed at stopping fires from spreading through apartment-building attics, and a proposal approved late last year,

over the objections of builders and apartment owners, will change the 2021 code to effectively require full sprinkler systems for all four-over-one podium buildings.

Can we rely on developers' economic interests and the model-code process to work things out? Alexi Assmus, who's been active in the New Jersey debates and the IBC process, is dubious. A businesswoman and civic activist who got involved when AvalonBay built a wood-framed complex in her hometown of Princeton, she tried to introduce changes to the national model code and didn't get far. In theory, anyone can participate on the International Code Council committees that submit recommendations to the government officials who vote on the IBC, but in practice it's mostly trade group representatives who do. "The special interests all have the money to go there and stay at the hotels," Assmus says. "Don't think that this third-party ICC is going to give us codes that are in the public interest, necessarily."

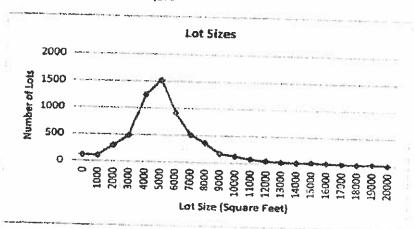
Then again, the reason the ICC exists is because setting building codes locally came to be seen as not really in the public interest, either. Deaths in residential fires in the U.S. are down by almost half since the 1980s, so something appears to be working. And there are echoes in at least some of the agitation of standard-variety Nimbyism. Some parts of the country need lots of new housing, and builders of bulky mid-rise woodframe apartment buildings have found an economic formula that provides it. Whether it's the right formula for American cities is something we'll have to wait to find out. — Fox is a business columnist for Bloomberg Opinion.

Department of Planning and Permitting's Estimate of Potential Additional Units Possible Under Walkup Rental Apartment Bill 2018.11.27

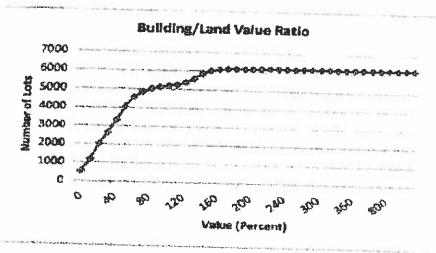
DPP did a quick study of the possible impact of the Walkup Rental Apartment bill and found the following:

1. 6,175 Apartment-Zoned Parcels of 20,000 sf and Less. In the Apartment-zoned lands on Oahu, there are 6,175 parcels of 20,000 sf or less. More than ½ of the 6,175 parcels are 5,000 sf or less in size.





- 2. <u>Parcels Susceptible for Redevelopment.</u> DPP then looked at only those lots that were a minimum of 5,000 sf in size to a maximum of 20,000 sf. Using this parameter, DPP found that there are 3,204 Apartment-zoned parcels.
 - a. DPP then estimated which of these 3,204 parcels are susceptible for redevelopment. DPP's methodology was to compare the assessed valuation of improvements on a parcel with the assessed valuation of the land. DPP used two benchmarks improvements with a valuation of (a) 30% or less of the land and (b) 10% or less of the land.
 - b. DPP found that there are 1,382 parcels with improvements that are valued at 30% or less than the land and 536 parcels with improvements that are valued at 10% of less than the land.



c. At Least 14,000 to 21,000 Additional Units Possible. DPP then calculated that the proposed bill could result in 14,073 to 21,084 additional units using the 30% valuation of improvements v. land. DPP's assumptions included (a) lots between 5,000 sf and 20,000 sf, (b) height limits of three and floor stories (resulting in the difference between the 14,703 additional units and the 21,084 additional units), (c) 4.0 FAR, (d) 20% minimum common area, and (e) 800 sf average unit size. DPP did not include Apartment Mixed Use zoned lands, Business zoned lands, or Business Mixed Use zoned lands nor lands zoned for schools with excess lands that could be used for this purpose. In other words, the potential for additional units is much greater than the 14,000 to 21,000 units calculated for just the Apartment zoned lands.

APARTMENT LANDS 5,000 - 20,000 SQUARE FEET Total Number of Lots: 3,204

	Building/Land Value Less Than Or Equal To		Approximate Density
Versal bloom	30%	10%	[units/acre]
Total Number of Lots	1,382	536	
ROUR FLOORS MAXIMUM:			happed to the section of the section
Possible Housing Units*	28,044	11,468	
Existing Housing Units	6,960	1,586	100-140
Addition to Housing Stock	11,084	9,882	2001,1417
THREE FLOORS MANIMUM			
ostible Housing Units*	21,033	8,601	70-105
Existing Housing Units	5,960	1,586	
Widhlian to Housing Stock	24,073	7.015	

TESTIMONY OF LARRY S VERAY

TO

City & County Honolulu City Council

OPPOSE BILL 007 CD1

RELATING TO AFFORDABLE HOUSING

APRIL 8, 2019

Aloha, Chair Ann Kobayashi Presiding Officer of City Council and Committee members. I am Chair for the Pearl City Neighborhood Board No. 21 and I am submitting this testimony solely as an individual in OPPOSITION to BILL 007 related to affordable housing. This issue will be facilitated at the next Pearl City Neighborhood Board No. 21 meeting.

This bill creates a temporary program to accelerate the construction of affordable rental housing on apartment and business mixed use-zoning properties by dramatically relaxing the building code standards and offering financial incentives for our community.

Although this bill has good intent to rapidly mitigate the lack of affordable housing for our communities, the language in this bill opens the door to negatively impact our communities with poor planning by: (1) deleting height setback requirements; (2) allowing building and home heights of 60 feet; (3) deleting the requirement for off-street parking and allowing parking inside private lots and backyards; (4) creating inappropriate density and conformity development in residential areas; and lastly (5) waives collection of plan review and building permit fees.

Unquestionably, the language in this bill will negatively impact the appearance of our residential neighborhoods in Pearl City and entire island communities with more monster homes, apartment high rise buildings/businesses in neighborhoods and making the parking situation on our City streets even more of a problem. This is a bad plan.

I most strongly urge you to DEFER this bill and set up a Task Force of selected members for the Neighborhood Boards, State Legislature and City Departments. We can improve the language in this bill and make this work for the many citizens who are in desperate need of housing and not sacrifice the beautification of our residential neighborhoods and their fantastic views from their residence of our unique island. Mahalo!

Very respectfully,

Larry S. Veray



April 15, 2019

Via Fax -- (808)768-3826

Ann H. Kobayashi Interim Chair, City Council City & County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019). Relating to Affordable Housing

Chair Kobayashi & Members of City Council,

There is clearly a shortage of residential rental properties in Honolulu, and I am in support of Bill 7 with reommendations as set forth by Mel Kaneshige's March 27th testimony.

Bill 7 as modified will provide necessary incentives for landowners and developers to build needed affordable rental units on properties that are already zoned for multi-family dwellings.

Bill 7 as modified will also help create new rental units on properties that may not otherwise be improved. The proposed residential buildings are an efficient use of the land, and the units will be rented by families that are making 100% of the Honolulu AMI or less.

I have over 34 years of experience in real estate, and I am an active member of national real estate associations including ULI and NAIOP. I have worked on a large number of urban renewal projects in Hawaii and on the Mainland, and I sincerely appreciate the opportunity to provide this testimony.

With Aloha,

FIRST HAWAIIAN BANK

Daniel A. Nishikawa

Executive Vice President & Division Manager

Commercial Real Estate Division

N CHUNG LLC

Construction Consultant 1288 KAPIOLANI BLVD., 1785, HONOLULU, HAWAII 96814 • (808) 224-1748 Contr. Lic. ABC-16720

April 12, 2019

Councilmember Kymberly Marcos Pine Chair, Committee on Zoning and Housing City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813-3077

RE: Support Bill 7, CD1 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing:

I have been in the construction industry for over 40+ years and have seen the many building cycles in our state. One segment of our industry that has vanished is the low-rise rental apartment buildings that were very prolific 40 to 50 years ago. When these were being built there was no shortage of affordable rental apartments.

We are all keenly aware that changes in the building code, down zoning of properties and the high cost of construction have added to the disappearance of this affordable rental product.

Bill 7 attempts to re-introduce this affordable rental product line back into our community. This is a product that can be built 25%-30% less than the current cost of building mid-rise or high rise affordable rental units. The designs are simple and straightforward, and the construction systems are cost effective.

The construction industry can do our part to bring in cost effective systems to build. But we need your support in relaxing zoning and building regulations that will allow us to reestablish this major segment of the industry that at one time provided much needed affordable rental housing on our island. That is why I am in full support of Bill 7.

Very truly yours,

Newton J. K. Chung

Newster G. K. Churg

Scan_0001.jpg



April 15, 2019

Ann H. Kobayashi Interim Chair City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kohayashi and Members of the City Council:

My name is Michele Hinahara, and I am the President of ALAN S. HINAHARA CONSTRUCTION, INC., a union residential General Contractor.

I am writing in support of Bill 7 CD1 with recommendations as set forth by Mel Kaneshige's March 27, 2019 testimony attached.

This bill will provide incentives for landowners and developers to build vitally need affordable rental units on lands already zoned for multi-family dwellings.

Why is this important?

#1 - there is a huge need for affordable rental units. This is one area of the housing market that has been neglected because it has been too hard to build these units and still make a return on the investment. This bill would change that by focusing on low to mid-rise, walk-up building that can be built economically, much like they were in the '50s and '60s. The rental apartments that will be built are to be 100% rented to those making 100% of the Honolulu AMI and less. This equates to \$81,700 for a single person to \$116,600 for a family of four. We anticipate that monthly rents would be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.

#2 - these units will be built on lands already zoned for apartments so the conflicts that we see with monster homes being built in residentially zoned areas will be eliminated. These monster homes are being built in residential areas because there is a need for more affordable housing and that is one way that the private sector will move to meet the demand. This bill provides a better solution.



What is the potential number of units that could be built?

DPP looked at this and estimated that between 14,000 and 21,000 additional units could be built in Apartment zoned lands with these kinds of incentives. This estimate does not include Apartment Mixed use land, Business zoned lands, or Business Mixed-Used lands, so the possible number of additional units is in excess of DPP'S ESTIMATE. This also does not include development on public school lands which is also being proposed as a way to help stem the shortage of teachers who are leaving the DOE because of the lack of affordable housing. This development would take place over a number of years and would make a huge dent in our currently estimated shortage of 65,000 to 85,000 units by the year 2025.

And the beauty of this bill is that there is no government subsidy involved. This will all be done by the private sector. If, however, government financing is involved, the rental rates may be lower but additional governmental conditions and restrictions deemed unduly burdensome to private landowners may be imposed.

This bill is certainly a step in the right direction to provide more hadly needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Sincerely,

Michelé T. Hinahara

President

ALAN S. HINAHARA CONSTRUCTO

April 13, 2019

Ann H. Kobayashi Interim Chair City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Aloha Chair Kobayashi and Members of the City Council:

As a concerned citizen and commercial real estate broker seeing first-hand the affordable rental housing market rapidly shrinking and homeless situation worsen, I fully support Bill 7 CD1 with recommendations as set forth by Mel Kaneshige's March 27th testimony attached.

This would be a great opportunity for the public and private sectors to partner in identifying solutions to the ongoing affordable housing rental market. This Bill if passed would benefit senior citizens, low income renters, reduce traffic congestion, support neighborhood businesses, and assist in curtailing the construction of "Monster Houses".

Your support in passing Bill 7 CDI would be a major step towards helping alleviate urban Honolulu's housing shortages we are currently experiencing.

Thank you for your allowing me the opportunity to express my thoughts and for your consideration regarding this matter.

Muhalo.

Rodney Sugai

P92

Momi Cazimero 222 Kawaikui Place Honolulu, Hl 96821 Email: cazimero.momi@gmail.com

April 17, 2019

Councilmember Ann Kobayashi, Chair Honolulu City Council, City and County of Honolulu, 530 So. King St., Honolulu, HI 96813

Re: Bill 7 CDI and the M&M Amendments sent from the Planning Commission

Dear Chair Kobayashi and Members of City Council,

I spent 3 years, 2014-2016, advocating for affordable housing at the State Legislature. The focus was to preserve the intent imbedded in the Redevelopment Plan for Kaka'ako to yield 75% affordable units of the total units built. Historically, the state supplianted the City and County because of the massive infrastructure requirements that exceeded the County's capacity. I am still advocating for affordable housing, but now at the City and County where housing is even more critical in the urban area.

The reason I was familiar with the Kaka'ako Redevelopment project was because some were clients of my design firm, Graphic House. Others, including Chairman Kenny Brown, were mentors who encouraged the sense of *kuleana* and dedication to my community.

I am not here to speak on the technical issues of development as presented by Mel Kaneshige to Members of the Committee on Zoning and Housing (Re: Bill 7, CDI (2019) Relating to Affordable Rental Housing), Chaired by Councilmember Kymberly Pine. I am here to speak on the dedicated efforts of Mr. Marshall Hung to deliver much needed affordable housing.

My company provided design services on the Marshall Hung projects over a period of 25 years. Newton Chung of Hawalian Dredging was part of the team who built Mr. Hung's projects. Each project was built around the goal to develop the best product utilizing innovation, expertise, and reliability of team members. The fact that the same members were mobilized with each new project speaks volumes of the trusted relationship that was shared among them.

it is one thing to talk about what is needed; it is quite another to deliver on the promise of filling the critical need for our residents.

To further the confidence in the intent of Mr. Hung's aspirations, he and his wife, Yuko created an education foundation to fund elementary school grants to encourage their successful development in the public school system.

As I mentioned in my March 27th testimony to the Members of the Committee on Zoning and Housing, my concern is that the housing problem continues to drive away promising individuals from fulfilling their potential here in Hawai'i because opportunities are far more rewarding elsewhere and where housing is more affordable.

Marshall Hung has proven to be a man of principles, of innovation, and the "know how" expertise nurtured through years of developing affordable housing.

Mahalo,

Momi Cazimero

Jacob R. Fergus

125 MERCHANT STREET, SUITE 200 HONOLULU, HAWAII 96813 TELEPHONE (808) 545-1700 FAX (808) 545-1788

April 15, 2019

Ann H. Kobayashi Interim Chair City Council City and County of Honolulu 530 South King Street Honolulu, Hl 96813

> Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kobayashi and Members of the City Council,

My name is Jake Fergus and I support Bill 7 CD1 with recommendations as set forth by Mel Kaneshige's March 27th testimony attached

This bill will provide incentives for landowners and developers to build vitally needed affordable rental units on lands already zoned for multi-family dwellings.

Why is this important?

#1 - there is a huge need for affordable rental units. This is one area of the housing market that has been neglected because it has been too hard to build these units and still make a return on the investment. This bill would change that by focusing on low to mid-rise, walk-up buildings that can be built economically, much like they were in the '50s and '60s. The rental apartments that will be built are to be 100% rented to those making 100% of the Honolulu AMI and less. This equates to \$81,700 for a single person to \$116,600 for a family of four. We anticipate that monthly rents would be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.

#2 - these units will be built on lands already zoned for apartments so the conflicts that we see with monster homes being built in residentially zoned areas will be eliminated. These monster homes are being built in residential areas because there is a need for more affordable housing and that is one way that the private sector will move to meet the demand. This bill provides a better solution.

What is the potential number of units that could be built?

DPP looked at this and estimated that between 14,000 and 21,000 additional units could be built in Apartment zoned lands with these kinds of incentives. This estimate does not include

Apartment Mixed Use land, Business zoned lands, or Business Mixed-Use lands, so the possible number of additional units is in excess of DPP's estimate. This also does not include development on public school lands which is also being proposed as a way to help stem the shortage of teachers who are leaving the DOE because of the lack of affordable housing. This development would take place over a number of years and would make a huge dent in our currently estimated shortage of 65,000 to 85,000 units by the year 2025.

And the beauty of this bill is that there is no government subsidy involved. This will all be done by the private sector. If, however, government financing is involved, the rental rates may be lower but additional governmental conditions and restrictions deemed unduly burdensome to private landowners may be imposed.

This bill is certainly a step in the right direction to provide more badly needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Aloha,

Jacob Ceigno

March 27, 2019

Via email to info@honoluludpp.org

Councilmember Kymberly Marcos Pine Chair, Zoning and Housing Committee City & County of Honolulu 530 South King Street Honolulu, Hawaii 96813

Bill 7 (2019) Relating to Affordable Rental Housing Re: Proposed CD 1 to Bill 7 (2019)

Chair Pine and Members of the Zoning and Housing Committee,

My name is Mel Kaneshige. I am a retired Honolulu resident who is concerned about Hawaii's housing crisis.

I am submitting additional testimony regarding the proposed CD1 to Bill 7 that was posted in the Agenda Addendum by your committee today.

My specific comments to the changes proposed by CD1 are below, using the same lettering system as shown in the Agenda Addendum, Item 8. If a lettered change is not referred to, I have no comment on the change.

B. Clarifies the definitions of ... "declaration of restrictive covenants".

<u>Comment</u>: The requirement of a declaration of restrictive covenant is unnecessary for enforcement. Indeed, the very next section (5) calls for a certification to be filed by the landowner affirming compliance with the Bill's requirements. This is a case of "belt and suspenders" and can scare owners off from starting these badly needed projects. Remember that these are not sophisticated developers but owners who have not done anything with their underdeveloped properties for years. We need to encourage them to do this not to scare them off with unnecessary paperwork.

D. In renumbered Section ___-1.3, limits the prohibition on CPRs to affordable rental housing projects located in TOD special districts.

Comment: I am opposed to this since CPRs should be permitted in all districts in which affordable rental housing is allowed. CPRs are a legal tool to separate title of a lot among different owners and can be particularly helpful when a family wants to develop an affordable rental housing project on family lands and wants to divide up the ownership among the family members. This can also be helpful to allow family members to separately obtain loans for each family member because of the differing needs of each family member. For example, one family member may need to borrow to send a child to college or to help with medical emergencies. Having separate legal title through a CPR would enable family members to accomplish this. Remember that, notwithstanding a CPR, the units must be rented to 100% AMI or less tenants.

Adds a new Section ___-1.4, to require the recordation of a declaration of E. restrictive covenants.

Comment: This is not necessary; a simple certification is all that is necessary. When a property owner wants a homeowner exemption for real property taxes, he files a simple certification, not a declaration of restrictive covenants. This requirement is overkill.

In renumbered Section ___-1.6, clarifies that the penalty provisions under G. that section apply to violations under Articles 2 and 3, and combines the penalty provisions in subsection (d) with the violation provisions in subsection (a).

Comment: I'm not sure that the penalty assessed here is meant to be "10 times the amount of the real property tax assessed". If it is, it is draconian and is inconsistent with what the City proposes for real property taxes in Section 8-10. (i)(3) on page 24 of CD1 which is the difference in the real

property taxes otherwise owed plus interest at 10% per annum. I believe the latter is what the City really means to impose as a penalty.

H. In Section ___-2.2, deletes the prohibition against affordable rental housing projects in TOD special districts

Comment: I agree with the deletion of the prohibition against affordable rental housing projects in TOD special districts. However, this section should be amended to permit affordable rental housing to be built in business zoning districts as well as all other zoning districts in which pubic elementary, middle, and high schools are permitted. E commerce is changing the retail landscape and owners with business zoned lands that cannot find retail tenants should be permitted to built affordable rental housing instead. Public schools are having a difficult time recruiting and retaining teachers in large part because of their inability to find affordable housing. Permitting the DOE to use their underutilized school lands for affordable rentals is a big boost for public education. The State DOE has submitted testimony in favor of this provision.

In development standard table in Section ___-2.3, under minimum front yard, provides for a 10-foot minimum front yard except in TOD special districts if no front yard is required and at least two-thirds of the total length of the building along the street frontage is dedicated to residential or commercial use.

<u>Comment</u>: This same table contains a requirement for a minimum of one off-street loading space to accommodate garbage pickup and garbage bin storage. I believe this should be up to the owner to decide in the same way that the owner will decide on the number if parking stalls, if any, to provide. The owner needs to gauge the market and his ability to rent (or not) his apartments with or without parking and loading spaces.

In Section __-3.2(f)(3), provides that buildings that are less than three Ν. stories in height with 35 or fewer units may have one fire exit stairwell that is a minimum of 36 inches (instead of 48 inches) wide. Also requires that the stairwell exit to both the ground floor and the roof; and requires with a standard-sized door at the rooftop exit, and a railed-off waiting area on the rooftop.

Comment: Please delete height restriction. This should apply to building with 35 or fewer units.

In SECTION 3 (waiver of wastewater facility charges), SECTION 4 (waiver of Ρ. plan review and building permit fees), and SECTION 5 (waiver of park dedication requirements) of the Bill, clarifies that the incentives apply to affordable rental housing units that are rented to households earning 100 percent or below of the AMI at prices affordable to such households.

Comment: Please delete language re "at prices affordable to such households pursuant to Chapter B." The owners should determine what rents to charge to tenants. The size limits as well as the limited AMI restriction will necessarily keep the rents down.

In renumbered SECTIONS 6 (real property tax exemption) and 7 (real Q. property tax holiday) of the Bill, amends existing ROH sections (instead of creating new sections to specifically regulate affordable rental housing projects).

Comment: Please delete the references to a declaration of restrictive covenants for the reasons stated in paragraphs B and E above. Please also delete references to "at prices affordable to such households pursuant to Chapter B" for the reasons stated in paragraph P above.

Thank you for this opportunity to testify. I am happy to answer any questions.

Mel Kaneshige

Fergus & Company A LIMITED LIABILITY COMPANY

125 MERCHANT STREET, SUITE 200 HONOLULU, HAWAII 96813 TELEPHONE (809) 545-1700 FAX (808) 545-1788

Via Fax: 768-3826 (5 pages)

April 16, 2019

Ann H. Kobayashi Interim Chair Honolulu City Council 530 South King Street Honolulu, Hi 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kobayashi and Council Members:

I am a long-time resident of Hawaii and have been developing and managing commercial real estate here for more than 30 years. I am writing in support of Bill 7 CD1 with the recommendations made by Mel Kaneshige in his testimony dated March 27th (see attached).

This bill is a step in the right direction toward providing badly needed affordable rental housing on Oahu. It provides incentives to develop low to mid-rise, walk-up buildings that can be built economically on lands already zoned for multi-family dwellings. The development would take place over a number of years, making a huge dent in the currently estimated shortage of 65,000 to 85,000 units by the year 2025. Furthermore, this will all be done by the private sector, without government subsidy.

Advancing Bill 7 CD1 will help to address the long-term housing needs of our community and we ask for your support. Thank you for your consideration.

Very truly yours.

FERGUS & COMPANY A Limited Liability Company

Pergus

MJF/vs Attachment

March 27, 2019

Via email to info@honofuludpp.org

Councilmember Kymberly Marcos Pine Chair, Zoning and Housing Committee City & County of Honolulu 530 South King Street Honolulu, Hawaii 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing Proposed CD 1 to Bill 7 (2019)

Chair Pine and Members of the Zoning and Housing Committee,

My name is Mel Kaneshige. I am a retired Honolulu resident who is concerned about Hawaii's housing crisis.

I am submitting additional testimony regarding the proposed CD1 to Bill 7 that was posted in the Agenda Addendum by your committee today.

My specific comments to the changes proposed by CD1 are below, using the same lettering system as shown in the Agenda Addendum, Item 8. If a lettered change is not referred to, I have no comment on the change.

B. Clarifies the definitions of ... "declaration of restrictive covenants".

Comment: The requirement of a declaration of restrictive covenant is unnecessary for enforcement. Indeed, the very next section (5) calls for a certification to be filed by the landowner affirming compliance with the Bill's requirements. This is a case of "belt and suspenders" and can scare owners off from starting these badly needed projects. Remember that these are not sophisticated developers but owners who have not done anything with their underdeveloped properties for years. We need to encourage them to do this not to scare them off with unnecessary paperwork.

D. In renumbered Section ___-1.3, limits the prohibition on CPRs to affordable rental housing projects located in TOD special districts.

<u>Comment</u>: I am opposed to this since CPRs should be permitted in all districts in which affordable rental housing is allowed. CPRs are a legal tool to separate title of a lot among different owners and can be particularly helpful when a family wants to develop an affordable rental housing project on family lands and wants to divide up the ownership among the family members. This can also be helpful to allow family members to separately obtain loans for each family member because of the differing needs of each family member. For example, one family member may need to borrow to send a child to college or to help with medical emergencies. Having separate legal title through a CPR would enable family members to accomplish this. Remember that, notwithstanding a CPR, the units must be rented to 100% AMI or less tenants.

E. Adds a new Section __-1.4, to require the recordation of a declaration of restrictive covenants.

<u>Comment</u>: This is not necessary; a simple certification is all that is necessary. When a property owner wants a homeowner exemption for real property taxes, he files a simple certification, not a declaration of restrictive covenants. This requirement is overkill.

G. In renumbered Section ___-1.6, clarifies that the penalty provisions under that section apply to violations under Articles 2 and 3, and combines the penalty provisions in subsection (d) with the violation provisions in subsection (a).

Comment: I'm not sure that the penalty assessed here is meant to be "10 times the amount of the real property tax assessed". If it is, it is draconian and is inconsistent with what the City proposes for real property taxes in Section 8-10.__(i)(3) on page 24 of CD1 which is the difference in the real

> property taxes otherwise owed plus interest at 10% per annum. I believe the latter is what the City really means to impose as a penalty.

In Section ___-2.2, deletes the prohibition against affordable rental housing Н. projects in TOD special districts

Comment: I agree with the deletion of the prohibition against affordable rental housing projects in TOD special districts. However, this section should be amended to permit affordable rental housing to be built in business zoning districts as well as all other zoning districts in which pubic elementary, middle, and high schools are permitted. E commerce is changing the retail landscape and owners with business zoned lands that cannot find retail tenants should be permitted to built affordable rental housing instead. Public schools are having a difficult time recruiting and retaining teachers in large part because of their inability to find affordable housing. Permitting the DOE to use their underutilized school lands for affordable rentals is a big boost for public education. The State DOE has submitted testimony in favor of this provision.

In development standard table in Section __-2.3, under minimum front I. yard, provides for a 10-foot minimum front yard except in TOD special districts if no front yard is required and at least two-thirds of the total length of the building along the street frontage is dedicated to residential or commercial use.

Comment: This same table contains a requirement for a minimum of one off-street loading space to accommodate garbage pickup and garbage bin storage. I believe this should be up to the owner to decide in the same way that the owner will decide on the number if parking stalls, if any, to provide. The owner needs to gauge the market and his ability to rent (or not) his apartments with or without parking and loading spaces.

N. In Section __-3.2(f)(3), provides that buildings that are less than three stories in height with 35 or fewer units may have one fire exit stairwell that is a minimum of 36 inches (instead of 48 inches) wide. Also requires that the stairwell exit to both the ground floor and the roof; and requires with a standard-sized door at the rooftop exit, and a railed-off waiting area on the rooftop.

Comment: Please delete height restriction. This should apply to building with 35 or fewer units.

In SECTION 3 (waiver of wastewater facility charges), SECTION 4 (waiver of Ρ. plan review and building permit fees), and SECTION 5 (waiver of park dedication requirements) of the Bill, clarifies that the incentives apply to affordable rental housing units that are rented to households earning 100 percent or below of the AMI at prices affordable to such households.

Comment: Please delete language re "at prices affordable to such households pursuant to Chapter B." The owners should determine what rents to charge to tenants. The size limits as well as the limited AMI restriction will necessarily keep the rents down.

In renumbered SECTIONS 6 (real property tax exemption) and 7 (real Q. property tax holiday) of the Bill, amends existing ROH sections (instead of creating new sections to specifically regulate affordable rental housing projects).

Comment: Please delete the references to a declaration of restrictive covenants for the reasons stated in paragraphs B and E above. Please also delete references to "at prices affordable to such households pursuant to Chapter B" for the reasons stated in paragraph P above.

Thank you for this opportunity to testify. I am happy to answer any questions.

Mel Kaneshige Sul Z

RMH Real Estate, LLC 215 N. King Street, Suite 1000 Honolulu, Hawaii 96817

Phone (808) 526-2027 x2 Fax (808) 526-2066

April 12, 2019

Via email to Honolulu City Council

Ann Kobayashi, Interim Chair City Council – City & County of Honolulu 530 South King Street Honolulu, Hawaii 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kobayashi and Members of the City Council:

My name is Ryan Harada and I am a real estate developer focusing on affordable housing. I am writing in support of Bill 7 CD1 with recommendations set forth by Mel Kaneshige's testimony dated March 27, 2019 which I have attached.

This bill will provide incentives for landowners and developers to build much needed affordable rentals on lands already zoned for multi-family dwellings. As you know, this type of housing has been neglected due to the high cost of land and construction, and the nominal return on investment for the developer. This bill would change that by focusing on low- to mid-rise walk-up buildings that can be built efficiently.

In addition, there are no government subsidies involved. The private sector provides the capital and occupants will be those making up to 100% of the Honolulu AMI. In summary, this bill provides developers and landowners needed incentives aimed at spurring construction of affordable rentals.

Thank you for considering my testimony.

RMH Real Estate, LLC

Name: Ryan M. Harada

Its: Manager

March 27, 2019

Via email to info@honoluludpp.org

Councilmember Kymberly Marcos Pine Chair, Zoning and Housing Committee City & County of Honolulu 530 South King Street Honolulu, Hawaii 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing Proposed CD 1 to Bill 7 (2019)

Chair Pine and Members of the Zoning and Housing Committee,

My name is Mel Kaneshige. I am a retired Honolulu resident who is concerned about Hawaii's housing crisis.

I am submitting additional testimony regarding the proposed CD1 to Bill 7 that was posted in the Agenda Addendum by your committee today.

My specific comments to the changes proposed by CD1 are below, using the same lettering system as shown in the Agenda Addendum, Item 8. If a lettered change is not referred to, I have no comment on the change.

B. Clarifies the definitions of . . . "declaration of restrictive covenants".

<u>Comment</u>: The requirement of a declaration of restrictive covenant is unnecessary for enforcement. Indeed, the very next section (5) calls for a certification to be filed by the landowner affirming compliance with the Bill's requirements. This is a case of "belt and suspenders" and can scare owners off from starting these badly needed projects. Remember that these are not sophisticated developers but owners who have not done anything with their underdeveloped properties for years. We need to encourage them to do this not to scare them off with unnecessary paperwork.

D. In renumbered Section __-1.3, limits the prohibition on CPRs to affordable rental housing projects located in TOD special districts.

Comment: I am opposed to this since CPRs should be permitted in all districts in which affordable rental housing is allowed. CPRs are a legal tool to separate title of a lot among different owners and can be particularly helpful when a family wants to develop an affordable rental housing project on family lands and wants to divide up the ownership among the family members. This can also be helpful to allow family members to separately obtain loans for each family member because of the differing needs of each family member. For example, one family member may need to borrow to send a child to college or to help with medical emergencies. Having separate legal title through a CPR would enable family members to accomplish this. Remember that, notwithstanding a CPR, the units must be rented to 100% AMI or less tenants.

E. Adds a new Section __-1.4, to require the recordation of a declaration of restrictive covenants.

<u>Comment</u>: This is not necessary; a simple certification is all that is necessary. When a property owner wants a homeowner exemption for real property taxes, he files a simple certification, not a declaration of restrictive covenants. This requirement is overkill.

G. In renumbered Section ___-1.6, clarifies that the penalty provisions under that section apply to violations under Articles 2 and 3, and combines the penalty provisions in subsection (d) with the violation provisions in subsection (a).

<u>Comment</u>: I'm not sure that the penalty assessed here is meant to be "10 times the amount of the real property tax assessed". If it is, it is draconian and is inconsistent with what the City proposes for real property taxes in Section 8-10.__(i)(3) on page 24 of CD1 which is the difference in the real

property taxes otherwise owed plus interest at 10% per annum. I believe the latter is what the City really means to impose as a penalty.

H. In Section ___-2.2, deletes the prohibition against affordable rental housing projects in TOD special districts

Comment: I agree with the deletion of the prohibition against affordable rental housing projects in TOD special districts. However, this section should be amended to permit affordable rental housing to be built in business zoning districts as well as all other zoning districts in which pubic elementary, middle, and high schools are permitted. E commerce is changing the retail landscape and owners with business zoned lands that cannot find retail tenants should be permitted to built affordable rental housing instead. Public schools are having a difficult time recruiting and retaining teachers in large part because of their inability to find affordable housing. Permitting the DOE to use their underutilized school lands for affordable rentals is a big boost for public education. The State DOE has submitted testimony in favor of this provision.

In development standard table in Section __-2.3, under minimum front yard, provides for a 10-foot minimum front yard except in TOD special districts if no front yard is required and at least two-thirds of the total length of the building along the street frontage is dedicated to residential or commercial use.

<u>Comment</u>: This same table contains a requirement for a minimum of one off-street loading space to accommodate garbage pickup and garbage bin storage. I believe this should be up to the owner to decide in the same way that the owner will decide on the number if parking stalls, if any, to provide. The owner needs to gauge the market and his ability to rent (or not) his apartments with or without parking and loading spaces.

N. In Section __-3.2(f)(3), provides that buildings that are less than three stories in height with 35 or fewer units may have one fire exit stairwell that is a minimum of 36 inches (instead of 48 inches) wide. Also requires that the stairwell exit to both the ground floor and the roof; and requires with a standard-sized door at the rooftop exit, and a railed-off waiting area on the rooftop.

<u>Comment</u>: Please delete height restriction. This should apply to building with 35 or fewer units.

P. In SECTION 3 (waiver of wastewater facility charges), SECTION 4 (waiver of plan review and building permit fees), and SECTION 5 (waiver of park dedication requirements) of the Bill, clarifies that the incentives apply to affordable rental housing units that are rented to households earning 100 percent or below of the AMI at prices affordable to such households.

<u>Comment</u>: Please delete language re "at prices affordable to such households pursuant to Chapter B." The owners should determine what rents to charge to tenants. The size limits as well as the limited AMI restriction will necessarily keep the rents down.

Q. In renumbered SECTIONS 6 (real property tax exemption) and 7 (real property tax holiday) of the Bill, amends existing ROH sections (instead of creating new sections to specifically regulate affordable rental housing projects).

<u>Comment</u>: Please delete the references to a declaration of restrictive covenants for the reasons stated in paragraphs B and E above. Please also delete references to "at prices affordable to such households pursuant to Chapter B" for the reasons stated in paragraph P above.

Thank you for this opportunity to testify. I am happy to answer any questions.

Mel Kaneshige Sul Z



April 15, 2019

Ann H. Kobayashi Interim Chair City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the City Council Zoning Committee,

My name is Catherine Ngo, President and CEO of Central Pacific Bank, and I would like to testify in support of Bill 7 as amended by the M&M Version Transmitted from the Planning Commission on February 27, 2019.

The need for affordable rental units in Hawaii has risen to unprecedented levels, largely due to the increasing housing demand coupled with the absence of attention given to encourage private developers to build more affordable rental units with a fair return on investment. This bill will provide incentives for landowners and developers to build critically needed affordable rental units on lands already zoned for multi-family dwellings. Taxpayers will not need to subsidize these developments which will be completely funded by the private sector.

The additional inventory of affordable rental units will serve a sector of our population that represents a growing hot spot of local residents that are in between homeownership and homelessness. The rental units will be dedicated to housing those earning up to 100% of the Honolulu AMI, or \$81,700 for a single person to \$116,600 for a family of four. Monthly rents are expected to be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.

I urge the City Council's favorable action on Bill 7 with its amendments, as the positive impact to the needs of our island residents and our overall quality of life in Hawaii will be significant and long-lasting.

Thank you very much for your consideration.

Aloha,

ac. Ph

President and Chief Executive Officer

ISLAND HOLDINGS, INC.

April 15, 2019

Ann H. Kobayashi, Interim Chair Honolulu City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kobayashi and Members of the City Council:

I would like to express strong support of Bill 7 CD1 with recommendations as sct forth in the attached testimony by Mel Kaneshige dated March 27, 2019.

Increasing the housing inventory in Houolulu is the most pressing economic need facing our community. It is especially critical at the workforce level where the lack of adequate supply is a major threat to the health of our economy. The fact that people are leaving Hawaii and employers are struggling to find qualified employees can be directly attributed to the frustration workers have with housing affordability.

The status quo is not doing the job and we need to try something different to spur investment by the private sector to meet the needs of our community. This bill would be an important step toward facilitating private investment and development of more multi-family residential housing.

Please support enactment of this measure that will encourage and enable the production of apartments that are affordable to the workforce members of our community.

Sincerely.

Colbert M. Matsumoto

Chairman

Island Holdings, Inc.

Enclosure: Testimony submitted by Mel Kaneshige dated March 27, 2019

March 27, 2019

Vla email to info@honoluludpp.org

Councilmember Kymberly Marcos Pine Chair, Zoning and Housing Committee City & County of Honolulu 530 South King Street Honolulu, Hawaii 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing Proposed CD 1 to Bill 7 (2019)

Chair Pine and Members of the Zoning and Housing Committee,

My name is Mel Kaneshige. I am a retired Honolulu resident who is concerned about Hawaii's housing crisis.

I am submitting additional testimony regarding the proposed CD1 to Bill 7 that was posted in the Agenda Addendum by your committee today.

My specific comments to the changes proposed by CD1 are below, using the same lettering system as shown in the Agenda Addendum, Item 8. If a lettered change is not referred to, I have no comment on the change.

B. Clarifies the definitions of ... "declaration of restrictive covenants".

Comment: The requirement of a declaration of restrictive covenant is unnecessary for enforcement. Indeed, the very next section (5) calls for a certification to be filed by the landowner affirming compliance with the Bill's requirements. This is a case of "belt and suspenders" and can scare owners off from starting these badly needed projects. Remember that these are not sophisticated developers but owners who have not done anything with their underdeveloped properties for years. We need to encourage them to do this not to scare them off with unnecessary paperwork.

D. In renumbered Section __-1.3, limits the prohibition on CPRs to affordable rental housing projects located in TOD special districts.

Comment: I am opposed to this since CPRs should be permitted in all districts in which affordable rental housing is allowed. CPRs are a legal tool to separate title of a lot among different owners and can be particularly helpful when a family wants to develop an affordable rental housing project on family lands and wants to divide up the ownership among the family members. This can also be helpful to allow family members to separately obtain loans for each family member because of the differing needs of each family member. For example, one family member may need to borrow to send a child to college or to help with medical emergencies. Having separate legal title through a CPR would enable family members to accomplish this. Remember that, notwithstanding a CPR, the units must be rented to 100% AMI or less fenants.

E. Adds a new Section __-1.4, to require the recordation of a declaration of restrictive covenants.

<u>Comment</u>: This is not necessary; a simple certification is all that is necessary. When a property owner wants a homeowner exemption for real property taxes, he files a simple certification, not a declaration of restrictive covenants. This requirement is overkill.

G. In renumbered Section __-1.6, clarifies that the penalty provisions under that section apply to violations under Articles 2 and 3, and combines the penalty provisions in subsection (d) with the violation provisions in subsection (a).

Comment: I'm not sure that the penalty assessed here is meant to be "10 times the amount of the real property tax assessed". If it is, it is draconian and is inconsistent with what the City proposes for real property taxes in Section 8-10.__(I)(3) on page 24 of CD1 which is the difference in the real

property taxes otherwise owed plus interest at 10% per annum. I believe the latter is what the City really means to impose as a penalty.

H. In Section ___-2.2, deletes the prohibition against affordable rental housing projects in TOD special districts

Comment: I agree with the deletion of the prohibition against affordable rental housing projects in TOD special districts. However, this section should be amended to permit affordable rental housing to be built in business zoning districts as well as all other zoning districts in which pubic elementary, middle, and high schools are permitted. E commerce is changing the retail landscape and owners with business zoned lands that cannot find retail tenants should be permitted to built affordable rental housing instead. Public schools are having a difficult time recruiting and retaining teachers in large part because of their inability to find affordable housing. Permitting the DOE to use their underutilized school lands for affordable rentals is a big boost for public education. The State DOE has submitted testimony in favor of this provision.

In development standard table in Section ___-2.3, under minimum front yard, provides for a 10-foot minimum front yard except in TOD special districts if no front yard is required and at least two-thirds of the total length of the building along the street frontage is dedicated to residential or commercial use.

<u>Comment</u>: This same table contains a requirement for a minimum of one off-street loading space to accommodate garbage pickup and garbage bin storage. I believe this should be up to the owner to decide in the same way that the owner will decide on the number if parking stalls, if any, to provide. The owner needs to gauge the market and his ability to rent (or not) his apartments with or without parking and loading spaces.

In Section __-3.2(f)(3), provides that buildings that are less than three N. stories in height with 35 or fewer units may have one fire exit stairwell that is a minimum of 36 inches (instead of 48 inches) wide. Also requires that the stairwell exit to both the ground floor and the roof; and requires with a standard-sized door at the rooftop exit, and a railed-off waiting area on the rooftop.

Comment: Please delete height restriction. This should apply to building with 35 or fewer units.

Ρ. In SECTION 3 (waiver of wastewater facility charges), SECTION 4 (waiver of plan review and building permit fees), and SECTION 5 (waiver of park dedication requirements) of the Bill, clarifies that the incentives apply to affordable rental housing units that are rented to households earning 100 percent or below of the AMI at prices affordable to such households.

Comment: Please delete language re "at prices affordable to such households pursuant to Chapter B." The owners should determine what rents to charge to tenants. The size limits as well as the limited AMI restriction will necessarily keep the rents down.

In renumbered SECTIONS 6 (real property tax exemption) and 7 (real Q. property tax holiday) of the Bill, amends existing ROH sections (instead of creating new sections to specifically regulate affordable rental housing projects).

Comment: Please delete the references to a declaration of restrictive covenants for the reasons stated in paragraphs B and E above. Please also delete references to "at prices affordable to such households pursuant to Chapter B" for the reasons stated in paragraph P above.

Thank you for this opportunity to testify. I am happy to answer any questions. Mel Kaneshige Sul Z

4h Bank of Hawaii

April 17, 2019

The Honorable Ann H. Kobayashi Interim Chair & Presiding Officer Honolulu City Council City and County of Honolulu 530 South King Street Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Kobayashi and Members of the City Council:

My name is Peter Ho, Chairman, President and CEO of Bank of Hawaii. I commend the effort underway to provide incentives for landowners and developers to build more affordable rental units on small-parcel lands zoned for multi-family dwellings and certain other underutilized properties.

In particular, I support <u>Bill 7 CD1</u> with the recommendations set forth in testimony provided by <u>Mr. Mel Kaneshige dated March 27</u>. The recommendations and amendments, in essence, would enhance the economic viability of such projects by amending certain regulations to facilitate an expedited review/approval process, helping to reduce development risk, and providing for a fair return on investment.

This bill seeks to address the long-time challenges developers have faced in trying to meet the demand caused by a severe shortage of low- to mid-rise walk-up buildings, which could otherwise accommodate some of our most needy population. We are specifically talking about those seeking rental housing and earning 100% or below of area median income. Additionally, this legislation is not contingent upon taxpayer subsidy, and can be accomplished by private sector initiative.

I respectfully encourage your favorable consideration of Bill 7 CD1 taking into consideration Mr. Kaneshige's proposals. Thank you for the opportunity to provide this testimony.

Sincerely,

Chairman, President and CEO